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## **Poland**

## **Retail Food Sector**

## **Report**

## **2001**

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### **Report Highlights:**

**Poland's food retailing sector continues to undergo radical transformation as consumer incomes grow in this modernizing country of 38.6 million people. This change is led by new foreign hypermarkets which increased from 27 in 1996 to 112 in 2000. They are projected to expand to 170-190 by 2003 and will account for over 40 percent of retail food sales within the next five years. Prospects for U.S. sales are hampered by stiff Polish and EU competition, comparatively high import duties, stringent food ingredient regulations, and costly terms of business to get product onto large retailer's shelves. Nevertheless, there are select opportunities outlined in section IV, "Best Prospects".**

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Includes PSD changes: No  
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Annual Report  
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## I. MARKET SUMMARY

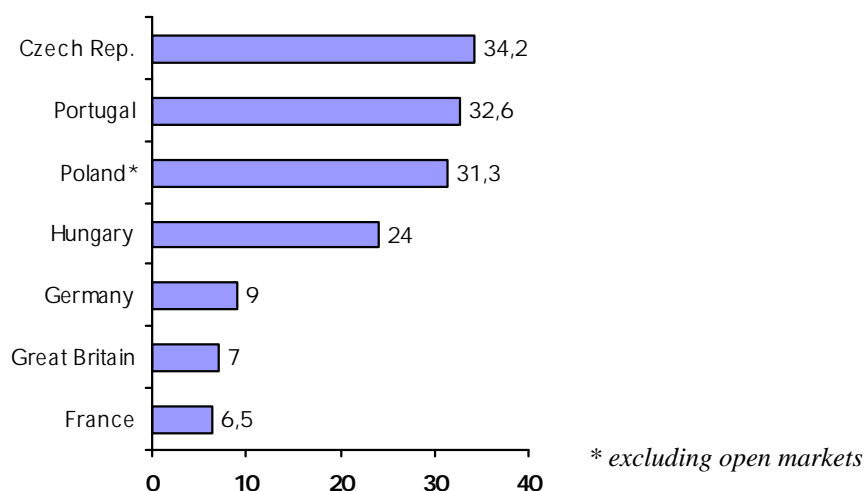
### General Information

Compared to western Europe, the Polish retail chain is still very much dispersed, and according to the opinion of international analysts, the development of its structure is at the stage of west European retail trade in the sixties.

Dynamic changes in the domestic market, resulting in increasing competition in both production and trade sectors, have taken place during recent years. Companies trading in food products are undergoing particularly strong pressure, as this segment of the market has become an area of intensive interest to foreign competitors.

A demographic structure is a particularly important factor influencing development and composition of the Polish retail trade. The fact that 38 percent of Polish population lives in over 50,000 villages results in a very dispersed nature.

**Chart 1. .... Number of shops per 10 000 inhabitants**



source: Gospodarka No. 22/00

In 2000 there were about 430,000 shops in Poland, which is twice as many as in Spain and six times more than in Great Britain. In addition, there were almost 400,000 other retail outlets such as small kiosks, stands, stalls, etc.

At the same time a rapid increase of market share of a small group of chains of super/hypermarkets, in most cases with foreign capital, is being noted.

**Table 1. .... Number of shops with foreign capital**

| Description  | 1995 | 1996 | 1997  | 1998  | 1999  | 2000  |
|--|------|------|-------|-------|-------|-------|
| Number of shops with foreign capital                                 | 748  | 925  | 1,295 | 1,657 | 2,535 | 2,975 |
| A % share of shops with foreign capital in the total number of shops | 0.18 | 0.23 | 0.31  | 0.37  | 0.56  | 0.69  |

Due to the lack of capital, weak financial situation and low profitability, Polish companies have lost the battle for the access to the food retail market. This may prevent them from using their own capital in order to modernize their future operations, which may lead to the mass liquidation of their businesses. This is why foreign companies are expected to play a particularly strong role in trade development during the coming years.

Continuous economic growth, which started in 1991, has resulted in considerable improvement in Poland's labor market, its domestic financial situation, and in increased incomes. Every year the real consumption value, covered by personal income in the domestic sector, increased.

However, a low rate of economic growth that has been noted since last year has created some threats for further development. During 2000, GDP rate of growth amounted to 4 percent while in 2001, it is estimated at only 2 percent.

Monetary policy aimed at decreasing inflation rate led to a substantial decrease in consumption and investment demand. Demand's rate of growth was lower than that of GDP. This phenomena combined with high interest rates have been the main factors negatively influencing economic progress.

Such a low rate of growth meant poor financial results for business entities operating in all sectors of the economy. In the case of food products, 62 percent of companies will not generate a net profit. This reduced for investment and debt redemption. Also, unemployment has continuously grown over the last 4 years and currently exceeds 15 percent.

All these factors negatively, influence the buying potential of Polish customers. This will certainly cause, at least until the economy revives, difficulties in the retail food sector.

### **Description of the retail trade**

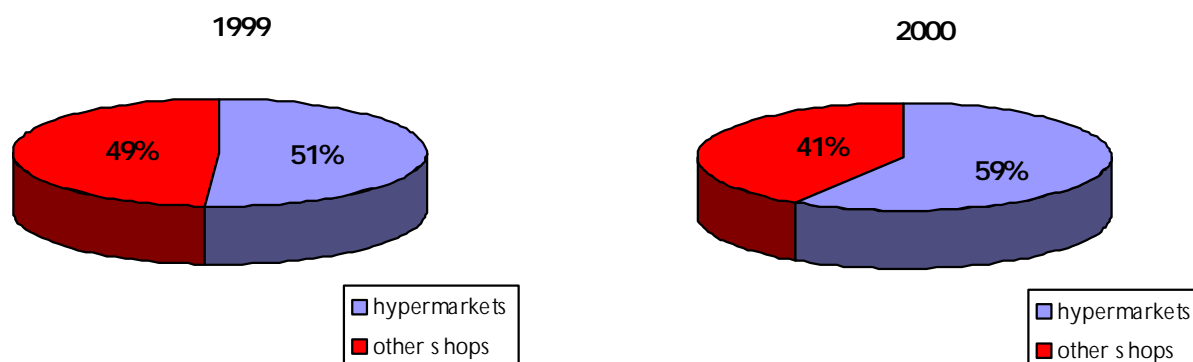
During the last two years three main trends have characterised the Polish retail trade. Their continuation is visible in 2001. Traditional retail business (shops with an area below 300 sq.m.) are gradually losing their importance, the FMCG market has been stabilizing, and strong competition has surfaced within modern distribution channels. The latter is taking place at the expense of the turnover of the traditional distribution channel, whose financial situation is

systematically becoming worse. The value of the FMCG market comprising food stuff, detergents, cosmetics, tobacco, and alcohol was maintained in 2000 at the same level as in 1999, i.e. about USD 26-27 mln. At the same time the market share of the modern distribution channel has increased by 4 percent, reaching the level of 26 percent. This means that shops belonging to the traditional distribution channel have lost about USD 730 mln.

According to the research carried out by CAL Company Assistance, about 50-55 percent of the traditional food shops have declared that compared to 1999, the number of customers has decreased and turnover has dropped by 35-45 percent. It is estimated that, on average, hardly 40 customers do their shopping in one traditional shop, spending less than PLN 100 (USD 25.00). The situation is even worse in rural areas where the number of customers is three times lower.

The growing popularity of hypermarkets is reflected in their increasing number of customers. They are becoming more and more frequently the main source of household supplier. In 2000 the number of persons shopping there more often than once a week doubled compared to 1999 (from 18 percent to 36 percent). As a result, the share of monthly spending in large shopping centers has been increasing.

The average purchase amount of a customer, shopping in a hypermarket, is estimated at PLN 172 = USD 41.00 (PLN 203 in Warsaw and PLN 260 in Gdansk).

**Chart 2 ..... Structure of household expense**

The fact that 98 percent of retail companies have no more than two shops also shows the dispersed structure of the trade. Organizations owning more than 20 shops form only 0.1 percent of the total number of companies operating in this sector.

During the last two years a slower pace of increase in the number of shops within the modern distribution channel was noted with a simultaneous insignificant decrease in the number of traditional shops.

In 2000 the rate of changes in the structure of the Polish FMCG market definitely decreased compared to the previous year. In 1999 the number of hypermarkets (95 outlets at the end of 1999) increased by 67 percent in relation to 1998, while in 2000 (112 shops at the year end) this growth hardly reached 18 percent.

The number of small and medium shops decreased by 2-3 percent in 1999 and by 1-2 percent in 2000. In 1999 the number of shops below 50 sq.m. decreased by 3-5 percent and in 2000 only by 1 percent.

Despite these trends ninety-one percent (399,767) of Polish shops are small outlets with an operating area of less than 50 sq.m. In 2000 the average operating area amounted to 62.3 sq.m.

**Table 2 ..... Shops by operating area in 1996-2000**

| Years                      | Total number of shops | Number of shops by operating area |        |         |         |         |                |
|----------------------------|-----------------------|-----------------------------------|--------|---------|---------|---------|----------------|
|                            |                       | below 50 sq.m.                    | 50-100 | 101-200 | 201-300 | 301-400 | over 401 sq.m. |
| 1996                       | 405,563               | 369,926                           | 20,661 | 8,929   | 2,377   | 1,110   | 2,560          |
| 1997                       | 424,362               | 390,311                           | 18,193 | 9,175   | 2,570   | 1,255   | 2,858          |
| 1998                       | 451,785               | 414,684                           | 20,795 | 9,371   | 2,655   | 1,182   | 3,098          |
| 1999                       | 450,232               | 417,772                           | 16,925 | 8,014   | 2,529   | 1,479   | 3,513          |
| 2000                       | 431,991               | 399,767                           | 16,297 | 7,872   | 2,567   | 15,551  | 3,937          |
| <u>1999</u><br><u>2000</u> | 99.7                  | 100.7                             | 81.4   | 85.5    | 95.3    | 125.1   | 113.4          |
| <u>2000</u><br><u>1999</u> | 95.9                  | 95.7                              | 96.3   | 98.2    | 101.5   | 104.9   | 112.1          |

Source: Statistical Yearbook, 2000

In 2000 there were 431,991 shops which is 4.1 percent less than in 1999.

**Table 3. .... Points of retail trade<sup>1)</sup> and gas stations in Poland in 1996-2000**

| Item                          | 1996           | 1997           | 1998           | 1999           | 2000           |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Shops</b>                  | <b>405,563</b> | <b>424,362</b> | <b>451,785</b> | <b>450,232</b> | <b>431,991</b> |
| Including:                    |                |                |                |                |                |
| Food stores                   | 137,338        | 140,811        | 147,207        | 147,366        | 142,257        |
| Fruit and vegetable shops     | 6,315          | 6,470          | 6,935          | 6,974          | 6,678          |
| Meat shops                    | 14,041         | 14,315         | 15,056         | 14,879         | 14,045         |
| Fish shops                    | 1,400          | 1,508          | 1,619          | 1,574          | 1,506          |
| Confectionery shops           | 3,198          | 3,520          | 3,773          | 3,630          | 3,681          |
| Alcoholic beverage shops      | 2,991          | 2,830          | 2,731          | 2,539          | 2,350          |
| Gas stations                  | 6,018          | 6,548          | 7,253          | 7,607          | 7,744          |
| Number of people per one shop | 95             | 91             | 86             | 86             | 88             |

<sup>1)</sup> The statistical data covers: shops, open market stores, stores, market stalls, and movable points of sale.

Source: Statistical Yearbook, 2000

It is estimated that retail sales in 2000 reached PLN 361.8 billion (USD 90.5 billion) in current prices. The sales realized by retail outlets equaled PLN 346.9 billion (USD 86 billion), out of which food and non-alcoholic products amounted to PLN 104.1 billion (USD 26 billion).

The total turnover of this sector is shown in the Table 2.

**Table 4. Retail sales (current prices) in m. US\$ calculated at average annual exchange rate.**

| Years | Food products | Alcohol |
|-------|---------------|---------|
| 1996  | 25,227        | 7,908   |
| 1997  | 24,629        | 7,318   |
| 1998  | 26,719        | 7,646   |
| 1999  | 26,945        | 9,448   |
| 2000  | 27,924        | 8,930   |

Source: Statistical Yearbook, 2000

The structure of the retail trade is shown in the Table 3.

**Table 4. Structure of retail sales in Poland in 1996-2000 in % (current prices)**

| Description                 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------------------------|------|------|------|------|------|
| TOTAL                       | 100  | 100  | 100  | 100  | 100  |
| Fruits and vegetables       | 1.9  | 1.8  | 1.7  | 2.4  | 2.1  |
| Meat and processed meats    | 6.0  | 5.9  | 5.1  | 4.8  | 5.9  |
| Fish and fish products      | 1.2  | 0.9  | 0.9  | 1.0  | 1.1  |
| Alcoholic beverages         | 8.0  | 9.3  | 9.1  | 8.7  | 6.5  |
| Non-alcoholic beverages     | 2.0  | 1.4  | 1.5  | 1.6  | 2.1  |
| Milk, cheese, and eggs      | 2.6  | 2.6  | 2.8  | 3.4  | 2.9  |
| Bread and processed cereals | 3.5  | 2.6  | 2.1  | 3.0  | 3.3  |
| Sugar and confectionery     | 5.9  | 6.0  | 5.8  | 5.4  | 5.0  |
| Coffee, tea, and cocoa      | 1.7  | 1.9  | 1.6  | 1.9  | 1.4  |
| Other food products         | 9.1  | 9.6  | 11.1 | 8.9  | 8.5  |
| Non-food products           | 58.1 | 59.4 | 65.7 | 58.9 | 61.2 |

Source: Statistical Yearbook, 2000

### **Structure of retail stores in 2000.**

Polish trade was privatized at the very beginning of the transformation period. In 2000, shops belonging to the public sector formed only 0.5 percent of the total number of outlets.

The total number of shops remains at the similar level as during 1999; also numbers of different types of shop have not changed in 2000 in a significant way.

In 2000 there were 431,991 stores including:

- < 170,517 food stores, i.e. 39.5 percent of the total number of stores (39.3 percent in 1999);
- < 80,292 non-food stores (18.6 percent compared to 19.1 percent in 1999);
- < 13,068 automotive stores (3 percent in 1999 and 2000);
- < 168,114 other stores (38.9 percent in 2000 compared to 35.6 percent in 1999).

Their structure confirms the growing tendency to offer a wide range of food and non-food products in one selling point (supermarket + other shops). In 2000 there were only 24,500 (5.7 percent) specialized shops.

The continuous concentration in the Polish food trade has resulted in a decreasing number of specialized shops and in an increased share by large organizations in the total turnover. The share of the largest shops in the total turnover of food products increased from 13 percent in 1997 to 26 percent in 2000. Other types of shops decreased their market share.

In 2000 there were 170,517 grocery stores including 2,350 shops selling alcoholic beverages. Compared to 1999 the number of food shops decreased by 3.6 percent. This drop referred to all sectors, excluding bakery and confectionary shops. The most significant decrease was noted in the case of stores selling meat and alcoholic beverages.

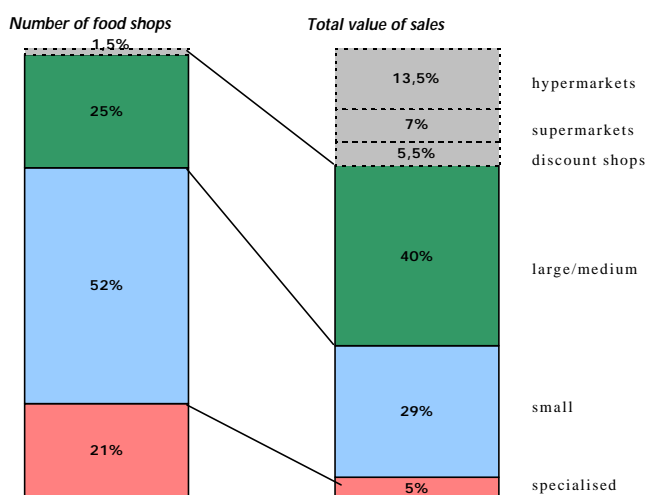
The structure of food shops has not changed much compared to previous years. Despite the decrease in the number of outlets, small shops still dominate Polish trade.

**Table 5**      *Food shops in 2000*

| Type of food stores                             | Number of shops | Change compared to 1999 (in %) |
|---|-----------------|--------------------------------|
| Small (below 40 sq.m.)                          | 60,500          | -1                             |
| Specialized (selling only one product category) | 24,500          | -2                             |
| Medium (40-100 sq.m.)                           | 24,000          | -2                             |
| Large (100-300 sq.m.)                           | 5,400           | -1                             |
| Discount (300-1,000 sq.m.)                      | 1,000           | +9                             |
| Supermarkets (over 300 sq.m.)                   | 750             | +3- 4                          |
| Hypermarkets (over 2,500 sq.m.)                 | 112             | +18                            |

An increasing popularity of modern distribution channels is proved by their share in the domestic turnover in food, tobacco, and alcoholic beverages trade.

Supermarkets, hypermarkets, and discount shops make up 26 percent of the total turnover in those products despite the fact that these organizations constitute only 1.5 percent of the total number of stores. Half of this turnover is realized by hypermarkets. Traditional distribution channels: large, medium, and small grocery shops, and specialized outlets constitute 98.5 percent of the total number of food shops and 74 percent of the turnover in food products, cigarettes, and alcoholic beverages.

**Chart 3**      *Structure of sales in 2000*

Despite a rapid growth of market importance of modern distribution channels, the five largest chains:

Metro, Jeronimo Martins, Geant, Selgros, and HIT have only a 12.7 percent share of the total market. By comparison, in France the top 5 have a 79 percent share, in Portugal 65 percent, and in the Czech Republic 33 percent.

Open air markets still play a significant role in Polish retail trade. In 2000 there were 2,376 permanent markets and 141,000 points of sale registered and operating. This means that a considerable part of the domestic turnover is achieved by outlets selling in markets. The structure of markets in terms of the scope of activities has not changed for many years. Over 85 percent of the markets carry out retail activities, the remainder dealing with wholesale trade. The majority of goods sold in the markets is supplied by local producers. In central Poland 40 percent of shops belong to the producers. In the western part of the country this share is definitely lower.

An opportunity to shop in hypermarkets appeared in Poland seven years ago. Today this is a normal way of shopping for most of the population living in big towns. During recent years hypermarkets have undergone a very dynamic development. At first, 27 hypermarkets were opened in 1993-1996. These were individual outlets with an average area of 2,500 to 5,000 sq.m. During the period 1997-98, 30 new hypermarkets were opened. It became a common market practice for part of a shopping center to be designated to small boutiques, restaurants, and other outlets. The average selling space of a hypermarket ranged between 6,000 and 14,000 sq.m, with the area of the neighboring outlets amounting to 2,000 – 8,000 sq.m.

### ***Retail Market Situation during 2000***

During the last year the Polish retail trade market has undergone some changes which mainly concerned chains of shops. First of all a well-known Market Prozperito chain, based in Poznan, consisting of three HIPO hypermarkets, seventeen Market Prozperito supermarkets, and eighty-four discount shops, has disappeared from the market. Also a Szczecin-based Takpol chain (21 supermarkets located in the Zachodnipomorski Region) and the Polish chain “Lider”, operating in the Dolnoslaski Region, have been liquidated.

Jeronimo Martins is the first foreign company, which given unsatisfactory financial results, had decided to sell Eurocash wholesalers and Jumbo hypermarkets. The Globi chain has been taken over by Carrefour and Billa Polen has sold its shares to ATAC, belonging to the Auchan group. On the other hand, many discount chains are further developing their existing market position (Biedronka, Netto, Edeka, Plus Discount). Meanwhile, new companies are also entering the Polish market (Price, Lidl & Schwartz).

### **Number of permanent retail outlets in 2000**

**Total number of retail outlets: ±431,991**

| grocery  | chemical  | alternative<br>cosmetic   | other<br>channels   |
|--|---|---|---|
| 170,517  | 21,000  | 80,474  | 160,000   |
| * Hypermarkets<br>* Supermarkets<br>* Discount stores<br>* Grocery large<br>* Grocery medium<br>* Grocery small<br>* Specialist food | * Chemical stores<br>* Cosmetic stores<br>* Perfumeries<br>* Pharmacies<br>* Natural + herbal<br>stores | * HoReCa*<br>* Kiosks<br>(with press)<br>* Convenience<br>outlets<br>* Petrol stations<br>(with stores) | * All other<br>retail outlets<br>(excl. "service"<br>outlets) |

HoReCa - Hotels, Restaurants, Catering outlets

Source: CAL Company Assistance

During 1999 hypermarkets showed the highest rate of growth. At the end of the year their total number amounted to 95 as compared to the figure of 57 outlets which operated in 1998. Although the rate of growth has slowed down in 2000, it is expected that 170-190 hypermarkets will operate by the end of 2003. The average selling space of hypermarkets will increase to 8,000 – 18,000 sq.m., and the area of the shopping centers, where supermarkets will be located, will reach 10,000 – 35,000 sq.m.

Trying to face the competition of foreign chains, Polish traders have made some efforts to join their forces and create larger organization. As a result a Union of Polish Retail Chains has been established by eleven Polish organizations. Its potential equals the most important foreign chains operating in Poland as it consists of 1,537 shops with a total area of about 245,000 sq.m.

Total income achieved in 2000 by the 50 largest companies increased compared to 1999 by 32 percent and amounted to about USD 11 billion. The German concern Metro, comprising Makro Cash & Carry, Real, Praktiker, and Media Markt has taken the first position with revenues totaling about USD 2.5 billion, which is 26 percent more than a year before.

### Expected changes in the retail trade

It is expected that the next five years will show very dynamic changes in retail trade, which will lead to essential structural changes.

The following changes are expected in the retail trade:

- increased importance of large-area trade outlets in the structure and in turnover of the retail trade
- increased importance of companies owning chains of stores
- decreased number of small retail outlets
- integration process among small and medium companies.

It is expected that the pace of development of supermarkets and discount shops will be higher than that of other shops. In five years time hypermarket, supermarket, and discount chains will become the leaders in the retail trade in food products. Given the limited investment possibilities for local

companies, a rapid growth in market share by foreign companies seems to be inevitable.

On the other hand this development will be limited to a certain extent by new legal regulations which are either already in force or planned to be implemented. Amongst these are:

- Restrictions concerning location of super and hypermarkets,
- New regulations related to trade agreements,

## Import conditions

According to Polish statistics in 2000, food articles imported from the United States constituted 3 percent of all imported food products. Total imports of all agricultural products from the United States in 2000 totaled US \$73.6 million as compared to the figure of US\$107.8 million achieved during 1999.

**Table 4. Import of some food products in 2000**

| <i>Description</i>                | <b>Total import to Poland</b> |                       | <b>Import from the USA</b> |                       | <b>Share of US import in total import</b> |            | <b>Main Competitors</b>                             |
|-----------------------------------|-------------------------------|-----------------------|----------------------------|-----------------------|---|------------|---|
|                                   | Weight, '000 tons             | Value in million US\$ | Weight, '000 tons          | Value in million US\$ | Weight %                                  | Value %    |   |
| <b>TOTAL Including:</b>           |                               | <b>2,409.8</b>        |                            | <b>73.6</b>           |   | <b>3.0</b> |   |
| Red meat and poultry meat         | 49.5                          | 64.6                  | 8.0                        | 6.2                   | 16.2                                      | 9.6        | EU  |
| Rice                              | 91.4                          | 25.9                  | 1.6                        | 0.8                   | 1.7                                       | 3.1        | Vietnam, India                                      |
| Dry vegetables                    | 5.5                           | 15.0                  | 0.1                        | 0.4                   | 1.8                                       | 2.7        | EU  |
| Peanuts                           | 22.5                          | 17.2                  | 2.6                        | 2.3                   | 11.6                                      | 13.4       | China, Argentina, India                             |
| Citrus fruits grapefruit, oranges | 402.3                         | 153.5                 | 4.2                        | 1.4                   | 1.02                                      | 0.9        | Spain, Morocco, Israel, Turkey                      |
| Beer                              | 41.2                          | 18.6                  | 0.5                        | 0.5                   | 1.2                                       | 2.7        | EU, CEFTA*, Mexico                                  |
| Wine of fresh grapes              | 68.0                          | 58.6                  | 0.8                        | 2.2                   | 1.2                                       | 3.8        | France, Italy, Hungary, Slovenia, Bulgaria, Germany |

\* CEFTA - Central European Free Trade Agreement

US exports show a declining tendency due to the rapid development of local production resulting, among others, from huge foreign investments in food processing and the food production sector. Out of \$ 43 billion invested in 1999, \$ 4 billion was invested in the food and tobacco processing industry (for comparison investments in machinery and equipment industry

amounted to \$ 1 billion). A list of companies that have invested in the agri-food industry is attached as Enclosure 1.

The significant interest in this sector results from the following:

- Poland is a big market in the course of transformation, with a fast rate of growth and open for new goods,
- considerable opportunities for export to east European countries,
- cheap workforce,
- opportunities to take over privatized companies with a relatively low capital investment,
- customs fees and additional payments for food, higher for imports from the USA than from the European Union,
- permanent pressure on the government by farmers to limit the import of food,

The two later factors have a crucial significance for American export opportunities. Some examples of customs fees for food products are shown in Enclosure 2.

In addition, the necessity of obtaining different types of certificates is another factor making export activities difficult. The procedure for getting such certificates is very complicated, time-consuming, and expensive.

### **Advantages and Challenges facing US products in Poland**

| Advantages  | Challenges   |
|---|--|
| <p>Population of 38.6 million people; increasing number of those who can afford high quality food products.</p> <p>The growing retail industry and the growing demand for more sophisticated and diversified products.</p> <p>Well-experienced and increasingly reliable importers.</p> <p>Opportunity for different kinds of market promotion with retailer participation.</p> | <p>Rapid development of local production (supported by foreign, and in many cases American, investments) has significantly reduced demand for imported products.</p> <p>Importers, retailers, and consumers lack awareness of American brands,</p> <p>Polish consumers prefer to purchase products produced in Poland.</p> <p>Imported products are more expensive because of many certificates, high tariffs, long period of payment.</p> <p>Registration process is slow, expensive, and inefficient, Polish language labels are required.</p> |

|  |   |
|--|---|
|  | <p>Alcohol tariffs and excise tax are very high, an import licence is necessary,</p> <p>Third country competition is significant, especially from west European countries.</p> <p>Poland is planning to join EU which will result in the same restrictions as those in other countries belonging to the Union.</p> <p>There are quotas for meat and poultry, and some other products.</p> <p>Farmers' position is very strong and they influence government policy concerning import regulations.</p> |
|--|---|

## **II. Road Map for Market Entry**

### **A. Hypermarkets, Supermarkets, Discount Shops,**

#### **Entry Strategy**

Success in introducing new products in this segment of the market depends to a large extent on local representation and personal contacts. The local representative may or may not also be the importer and /or distributor, but due to the very tough conditions dictated by this type of outlet, this is a key person if the product is going to be sold there.

Here are some typical conditions that have to be fulfilled by a supplier when entering foreign retail chains:

- 1 Entry fees (amounting to tens of thousands of Polish zlotys), which are not paid back if the agreement is canceled.
- 2 30-60 day period of payment.
- 3 Considerable price discount - about 10 percent.
- 4 Obligatory participation in promotion activities, which are held 3-5 times a year and last for 1-3 weeks. This requires another price decrease (for about 5 percent).
- 5 Obligatory participation in covering the cost of advertising promoted products.
- 6 Separate fees (US\$ 250-3,500) for placing each type of product on the shelf.
- 7 Fees for the „length of the shelf”.
- 8 No opportunity to influence the price level
- 9 Very strict delivery terms

#### **Market structure**

- 10 Products may be imported either by an importer or a representative office who may also be a wholesaler and/or distributor.
- 11 The representative office deals only with your product, and so pays much more attention to the promotion, advertising, and marketing activities than an importer who buys many, sometimes even competitive, products.
- 12 Some supermarkets carry out direct imports
- 13 Importers are distinctly separated into dry goods, refrigerated items, fruits and vegetables, alcohol, etc.
- 14 Importers or representative offices may use nation-wide logistic organizations for the storage and distribution of imported products.

15 Importers also have their own distribution networks.

***Company Profiles of the most important retail chains***

| <b>Retailer Name and Outlet Type</b> | <b>Sales (\$Mil)</b> | <b>Ownership</b> | <b>No. of Outlets</b> | <b>Location</b>            | <b>Purchasing Agent Type</b>   |
|--------------------------------------|----------------------|------------------|-----------------------|----------------------------|--------------------------------|
| <b>1. METRO</b>                      | <b>2,500</b>         | <b>Germany</b>   |                       |                            | Direct, importers, wholesalers |
| Makro Cash and Carry, wholesaler     | 1,600                |                  | 18                    | whole country              |                                |
| Real, hypermarket                    | 700                  |                  | 24                    | whole country              |                                |
| <b>2. JERONIMO MARTINS</b>           | <b>965</b>           | <b>Portugal</b>  |                       |                            | Direct, importers, wholesalers |
| Eurocash, wholesaler                 | 321                  |                  | 80                    | whole country              |                                |
| Biedronka, discount                  | 555                  |                  | 650                   | whole country              |                                |
| Jumbo, hypermarket                   | 88                   |                  | 5                     | Pozna $\frac{1}{2}$        |                                |
| <b>3. CASINO</b>                     | <b>615</b>           | <b>France</b>    |                       |                            | Direct, importers, wholesalers |
| Geant, hypermarket                   | 554                  |                  | 12                    | Warsaw and other big towns |                                |
| Leader Price, discount               | 61                   |                  | 21                    | Warsaw and other big towns |                                |
| <b>4. CARREFOUR</b>                  | <b>612</b>           | <b>France</b>    |                       |                            | Direct, importers, wholesalers |
| Carrefour, hypermarket               | 440                  |                  | 8                     | whole country              |                                |
| Champion, supermarket                | 47                   |                  | 16                    | whole country              |                                |
| Globi, supermarket                   | 125                  |                  | 28                    | Warsaw                     |                                |
| <b>5. REWE</b>                       | <b>574</b>           | <b>Germany</b>   |                       |                            | Direct, importers, wholesalers |
| Billa, supermarket                   | 115                  |                  | 12                    | Warsaw and other big towns |                                |
| Minimal, hyper                       | 170                  |                  | 21                    | whole country              |                                |
| Selgros, wholesaler                  | 288                  |                  | 7                     | Warsaw and other big towns |                                |

|  |            |                      |     |                             |                                |
|--|------------|----------------------|-----|-----------------------------|--------------------------------|
| <b>6. HIT, hypermarket</b>                           | <b>462</b> | <b>Germany</b>       | 13  | Warsaw and other big towns  | Direct, importers, wholesalers |
| <b>7. TENGELMAN</b>                                  | <b>456</b> | <b>Germany</b>       |     |                             |                                |
| Plus discount, discount                              | 250        |                      | 117 | Southern Poland             | Direct, importers, wholesalers |
| <b>8. AHOLD</b>                                      | <b>442</b> | <b>Holland</b>       |     |                             |                                |
| MAX, discount  | <b>105</b> |                      | 42  | whole country               |                                |
| SESAM, discount                                      | <b>112</b> |                      | 84  | whole country               |                                |
| HYPERNOVA, hypermarket                               | 182        |                      | 9   | Warsaw                      |                                |
| Delikatesy Centrum                                   | 35         |                      | 11  | whole country               |                                |
| <b>9. AUCHAN</b>                                     | <b>420</b> | <b>France</b>        |     |                             |                                |
| Auchan, hypermarket                                  | 362        |                      | 8   | Warsaw and other big cities |                                |
| Robert, supermarket (undergoing liquidation process) | 20         |                      | 11  | Warsaw                      |                                |
| <b>10. TESCO</b>                                     | <b>396</b> | <b>Great Britain</b> |     | Warsaw, Lublin, Lodz        | Direct, importers, wholesalers |
| Tesco, hypermarket                                   | 325        |                      | 10  | Warsaw and other big cities |                                |
| Savia, supermarket                                   | 70         |                      | 30  | Southern Poland             |                                |
| <b>11. E. LECLERC, hypermarket</b>                   | <b>307</b> | <b>France</b>        | 8   | Warsaw, Lublin, Lodz        |                                |

It is important to note that „cash and carry” outlets are becoming more and more popular. Some of these operate only as wholesale units and serve only the retailers, and some also sell to individuals, but under the condition that a certain quantity of goods is purchased.

**Table 5**      **Market share of 10 leading chains (%)**

| Name of a chain | 1999 | 2000 |
|-----------------|------|------|
| Geant           | 12.1 | 13.8 |
| Tesco           | n.a. | 11.4 |
| JMP             | 15.1 | 11.3 |
| HIT             | 11.7 | 10.8 |
| Real            | 11.8 | 10.7 |
| Auchan          | 10.0 | 10.2 |
| Carrefour       | 8.6  | 8.5  |
| Ahold           | 7.7  | 8.3  |
| Plus Discount   | 7.3  | 7.9  |
| E .Leclerc      | 8.2  | 7.1  |

Source: Supermarket Poland 4/01

The process of developing trade marks has just commenced, and it is expected that they will be widely used by foreign and local chains.

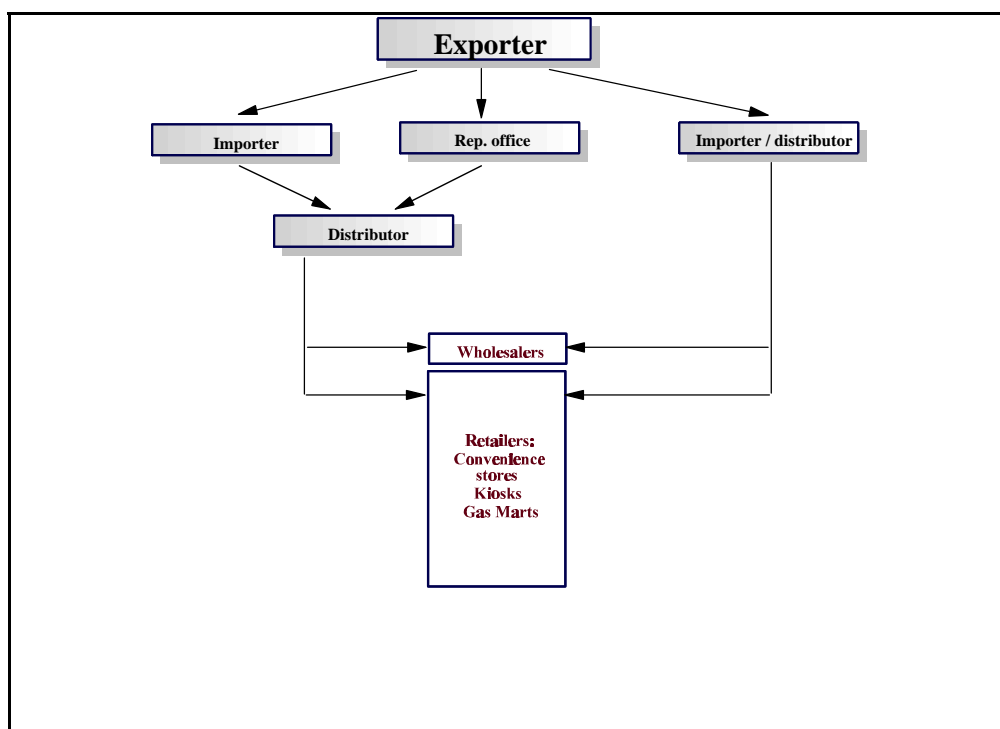
### ***B. Convenience Stores, Gas Marts, Kiosks***

#### **Entry strategy**

All these types of stores operate in a similar way. There are two ways of placing new products on their shelves, depending on the type of product. Either an exporter should use a representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products as well.

In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers collect them. They should also be delivered to the cash and carry outlets.

### Market structure



### **Company Profile**

Apart from the gas station outlets, there are no chains of shops and each of the shops has a different owner. The biggest share (about 70 percent) in gas station marts is held by the Polish company Orlen. The remaining part of the market belongs to Polish Refineries Plock and Gdansk and foreign Companies (e.g. Agip, Shell, Nestle, Aral, Elf).

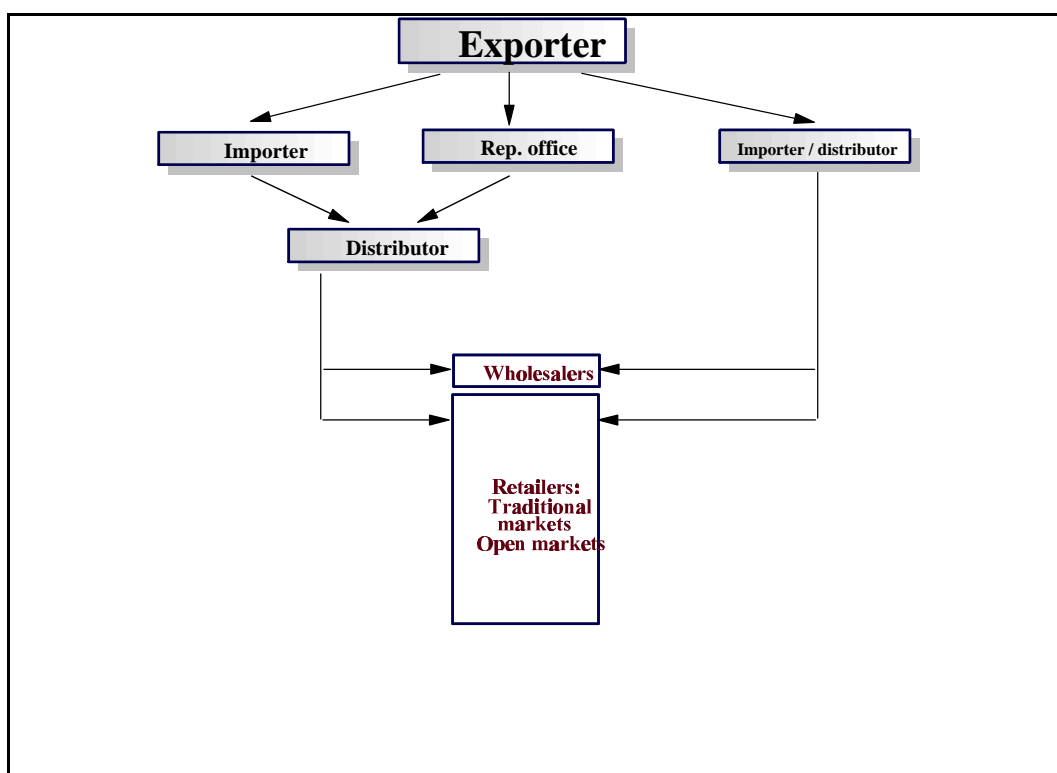
### **C. Traditional markets – “Mom and Pop” small independent grocery stores and farmer’s markets**

#### Entry strategy

There are two ways of placing new products in this type of stores, depending on the type of product. Either an exporter should use a representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products as well.

In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers may collect them. They should also be delivered to cash and carry outlets.

### Market structure



### Company Profiles

There are about 121,000 outlets that may be regarded as traditional markets.

**Small retail outlets** - The majority of the stores have different owners and there are no chains or franchises. Many of the firms are family-run business. These stores are usually modest in size with an average area of 15-25 sq.m.

**Farmer's Markets** - Such markets greatly vary in size and facilities which are being offered to traders and customers. In most cases they constitute of open air and/or kiosk facilities located over an area of 200/400 Sq.m.

### **III. COMPETITION**

Local production and exporters from countries belonging to the European Union mainly Germany, France, Italy, Great Britain, Spain, Finland and Netherlands (50 percent of total Polish food imports) are the main competitors for American exporters. Even such "American" products as chewing gum, Coca-Cola, Pepsi-Cola or Dunkin Donuts are produced in Poland. It should also be taken into consideration that Polish consumers show a very strong tendency to prefer Polish products to imported goods. This of course influences the shops to purchase products made in Poland. Many chains use the fact that they offer Polish goods as an advertising slogan in

order to create a better image to consumers.

The most important competitors are presented in Enclosure 1.

#### **IV. BEST PRODUCTS PROSPECTS**

##### **A. *Products Present in the Market Which have Good Sales Potential.***

As mentioned before, the following markets have developed and will continue to grow:

- food consisting of many constituents, highly processed, convenient, and easy to cook, i.e. ready-to-cook products and semi-products, and a wide range of snacks (from crisps and sweets to salads, yoghurt, cheeses, etc.),
- food for the HRI food service sector,
- various non-alcoholic beverages, wine and beer,
- “healthy food” produced from natural agricultural products with a low level of pesticides, mineral fertilisers, and other chemicals applied for their cultivation,
- processed meat, fish and fruits and vegetables, spices.

All these products are known to Polish consumers. The demand for them changes with different phases of development. These products will be, in most cases, produced in Poland, but imported constituents will often be used. Such a development of this sector will result in further growth of demand for the import of basic elements necessary for food production (hard wheat, processed soya, sunflower, palm oil, and juice concentrates) as well as for various additives.

**B. *Products Not Present in Significant quantities but Which have Good Sales Potential***

This group mainly includes:

- processed vegetables, ready-to-cook dishes and snacks (excluding chips)
- “luxury” food and drinks, produced from exotic raw materials for people with the highest incomes, who consider consumption of such products as proof of their high social position,
- food constituents for special use, e.g. vegetable fat for different branches of secondary processing, sweeteners replacing sugar, protein or vitamin preparations necessary for the production of diet foods.

The market for these products is very shallow, but changes in eating habits and development of higher income classes create opportunities for rapid increase of demand.

**C. *Products Not Present Because They Face Significant Barriers***

This group mainly consists of additives, which are not allowed in Poland, The list of such products, dyes and preservatives in particular, is very long, as Polish legislation in this respect is much stricter than in developed countries. Information on such products is available from Panstwowy Zaklad Higieny (State Hygienic Office) and from the Ministry of Health (for details please see Posts’ report no PL1002 at the following internet address [www.fas.usda.gov](http://www.fas.usda.gov)). Integration with the European Union will allow some of those additives to be admitted for use in food production.

This group also includes constituents made from products and spices growing in other climatic zones (mainly vegetables, fruits, sea food), which make the highly processed products more attractive.

**V. POST CONTACT INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to Poland, please contact the Office of Agricultural Affairs in Warsaw at the following address:

Office of Agricultural Affairs

American Embassy

Al. Ujazdowskie 29/31

00-540 Warsaw

Poland

ph: 4822-6213926

fax: 4822-6281172

e-mail: [agwarsaw@fas.usda.gov](mailto:agwarsaw@fas.usda.gov)

homepage: <http://www.usaemb.pl/usfas.htm>

Please contact Foreign Agricultural Service home page ([www.fas.usda.gov](http://www.fas.usda.gov)) for more information on exporting U.S. food products to Poland, including “The Exporter Guide”, “The HRI Food Service Sector Report”, “The Retail Food Sector Report”, products briefs on the market potential for U.S. fruit, snack foods, ready-to-eat and health products and a complete listing of upcoming activities designed to promote your product in Poland. Importer lists are available from our office to exporters of U.S. food products.

For more information on exporting U.S. agricultural products to other countries please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.

## Enclosure 1. Largest foreign investment projects in food-processing industry (\$ million. end-June 1999)

| Investor              | Branch              | Capital Invested | Origin                         |
|-----------------------|---------------------|------------------|--------------------------------|
| 1.Coca Cola           | Beverages           | 360.0            | United States (United Kingdom) |
| 2.Harbin              | Brewery             | 325.9            | Netherlands                    |
| 3.Nestle,             | Sugar Confectionary | 309.0            | Switzerland                    |
|                       | food processing     |                  |                                |
| 4.PepsiCo             | Beverages           | 203.0            | United States                  |
| 5.Heineken            | Breweries           | 180.7            | Netherlands                    |
| 6.Mars Incorporated   | Sugar confect.      | 163 + 30 plans   | United States                  |
|                       | food processing,    |                  |                                |
|                       | animal feeds        |                  |                                |
| 7.Unilever            | Sugar confect.      | 105.0            | Great Britain /The Netherlands |
|                       | oils and fats, fish |                  |                                |
| 8.Cadbury's Schweppes | Sugar confectionery | 126.5            | United Kingdom                 |
| 9.Ferrero Holding     | Sugar confectionery | 80.0+10.0 plans  | Italy                          |
| 10.BSN Gervais Danone | Milk prod., sugar   | 80.0             | France                         |
|                       | Confectionery       |                  |                                |
| 11.Carlsberg          | Brewery             | 69.7             | Denmark                        |
| 12.Cargill            | Animal feeds,       | 60.0             | United States                  |
|                       | manufacturing       |                  |                                |
|                       | of glucose          |                  |                                |
| 13. McCain Foods      | Manufacturing       |                  |                                |
|                       | of frozen fries     | 54.0             | Canada                         |
| 14. EBS Montendinson  | Oils and fats       | 53.8+40.0 plans  | Netherlands                    |
| 15. Bestfoods         | Edible oil,         |                  |                                |

|                     |                     |                   |                |
|---------------------|---------------------|-------------------|----------------|
|                     | food concent.       | 52.1 + 7.0 plans  | United States  |
|                     | and food processing |                   |                |
|                     | production          |                   |                |
| 16.Wrigley          | Chewing gum         | 49.0 + 30.0 plans | United States  |
| 17. Provimi Holding | Fodder production   | 48.0              | Netherlands    |
| 18. Schoeller       | Ice-cream prod.     | 43.0              | Germany        |
| 19.Tchibo           | Coffee prod.        | 42.0              | Germany        |
| 20.Birtish Sugar    | Manufacturing       |                   |                |
|                     | of sugar            | 41.0+200.0 plans  | United Kingdom |

Source.- Polish Agency-for Foreign Investment (PAIZ)

In 2000 the investment level in the food processing industry was much lower, however foreign direct investments significantly increased in terms of trade activities, amounting to USD 564.2 mln, which is 23.8 percent more than in 1999. During this decade investments in this sector totalled USD 3,962.6 mln, i.e. 8.7 percent of total foreign investments.

**Enclosure 2. Some examples of customs tariffs\*\***

| Description of goods                              | Tariffs for US Imports | Tariffs for UE Imports | Tariffs for CEFTA Imports | Excise tax                 |
|---|------------------------|------------------------|---------------------------|----------------------------|
| Processed meats                                   | 40%                    | 40%                    | 15%                       |                            |
| Frozen pork meat                                  | 76%                    | 76%                    | 25%                       |                            |
| Frozen beef meat                                  | 76%                    | 76%                    | 25%                       |                            |
| Frozen fish                                       | 5-25%                  | 5-25%                  | 0%                        |                            |
| Shellfish   | 30%                    | 30%                    | 0%                        |                            |
| Milk  | 102%                   | 40%                    | 20-30%                    |                            |
| Yogurt  | 35%                    | 25%                    | 20%                       |                            |
| Cheese  | 35%                    | 35%                    | 5-8%                      |                            |
| Olives, maize                                     | 9-25%                  | 0-9%                   | 0%                        |                            |
| Frozen and dried vegetables                       | 20-25%                 | 20-25%                 | 0%                        |                            |
| Nuts  | 20%                    | 4-15%                  | 0%                        |                            |
| Bananas   | 20%                    | 0%                     | 0%                        |                            |
| Dates, pineapples, avocado, mango, fresh or dried | 9%                     | 0%                     | 0%                        |                            |
| Oranges, lemons, mandarins, fresh or dried        | 10-20%                 | 0%                     | 0%                        |                            |
| Tea, coffee                                       | 10- 15%                | 0-10%                  | 0%                        |                            |
| Herbs and spices                                  | 0-19%                  | 0%                     | 0%                        |                            |
| Rice  | 10%                    | 10%                    | 0%                        |                            |
| Sweets, chewing gum                               | 30-35%                 | 6-25                   | 12%                       | Depends on sugar contents  |
| Soups   | 25%                    | 25%                    | 4%                        |                            |
| Champaign , wines                                 | 25-48%                 | 17-20%                 | 17-20%                    | Depends on spirit contents |
| Brandy, cognac, gin, liqueurs                     | 268%                   | 75%                    | 75%                       | Depends on spirit contents |
| Beer  | 30%                    | 6.0%                   | 6.0%                      | Depends on spirit content  |
| Mineral water                                     | 20%                    | 20%                    | 0%                        |                            |
| Chocolate   | 45%                    | 37%                    | 10-23%                    |                            |

\*\* Please note that the import duty for wine, almonds and grapefruit originating from the United States as, during the month of January 2002 will be reduced to the following levels-

grapefruits - from 15% to 5%

almonds - from 16% to 0-5.6%

wine - from 30% minimum to 20% minimum